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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 000625

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SUBJECT: LY SPEAKER WANG JIN-PYNG (KMT) ON MA
ADMINISTRATION, CROSS-STRAIT RELATIONS, PRESIDENT CHEN'S
FUTURE

REF: TAIPEI 620

Classified By: AIT Director Stephen M. Young, Reason(s): 1.4 (B/D).

¶1. (C) Summary: LY Speaker Wang Jin-pyng (KMT) told the Director during a May 5 meeting that China would not ease pressure on Taiwan's "international living space" during Ma's presidency, even if it harmed chances to warm cross-Straits relations. Facing high commodity prices and a global economic downturn, Ma will have difficulty attaining a GDP growth rate of 4.5 percent this year, let alone his target rate of 6 percent. The legislature will do what it can to help, said Wang, but serious doubts about the economy linger.

The KMT opposes Ma's push to exclude the party from the government, and if Ma goes through with it, cautioned Wang, it could cost him the support of the party leadership and the KMT legislative caucus. Ma, Premier-designate Liu, and Vice President-elect Vincent Siew may agree to put Siew in charge of the economy, but doing so could violate constitutional principles and cause dissension within the Cabinet. To Beijing, Ma is still an "unreliable" interlocutor on cross-Straits relations, said Wang, but PRC President Hu Jintao trusts Lien, and is keeping him in reserve just in case ties with Ma don't improve. Wang insisted that Ma and others must act now to resolve the "special accounts" controversy before President Chen leaves office; otherwise, prosecutors will indict Chen, doing significant harm to Ma's administration and Taiwan's democracy. End Summary.

Beijing Won't Back Off for Ma

¶2. (C) The Director noted that Wang had just returned to Taiwan from the Marshall Islands, after attending National Day ceremonies there. According to Wang, Taiwan's diplomatic relationship with the Marshall Islands was in jeopardy a few months ago, following the election of President Litokwa Tomeing (who had publicly favored switching recognition to Beijing). President Chen, however, cultivated a personal relationship with Tomeing through state visits and telephone calls, and deserved credit for preventing the loss of one of Taiwan's 23 remaining diplomatic allies. Wang complained that the relationship continues to be in danger even though Taiwan is the second largest donor to the Marshall Islands after the United States.

¶3. (C) Wang's comments on the Marshall Islands prompted the Director to ask whether Wang expected China to reduce pressure on Taiwan's "international living space" during Ma

Ying-jeou's presidency. No, said Wang, because diplomatic relations and participation in international organizations both touch on sovereignty, and from China's perspective, Taiwan's sovereignty claims must be diminished, even if doing so adversely affects the cross-Straits relationship. Beijing considers the two issues to be unrelated, argued Wang, and will not allow Taiwan to strengthen its sovereignty claims simply in order to avoid conflict in the cross-Straits relationship.

Lin Yu-fang Spoke Out of Turn

14. (C) The Director drew Wang's attention to recent comments by KMT legislator and LY Defense Committee Chairman Lin Yu-fang, who openly criticized the Chen administration for diminishing Taiwan's sovereignty by including the Director in April's Yushan defense exercise. Wang said Lin had spoken only for himself, for reasons which Wang did not understand. Wang also stressed that Lin had focused his attack on President Chen, and not the Director or the USG. Wang stated his personal belief that the U.S. is Taiwan's indispensable military partner, and that U.S. representatives should be included in Taiwan's defense exercises. While on the subject of defense, Wang asked why the U.S. had positioned aircraft carriers near Taiwan during the recent presidential election. The Director assured Wang that the carriers were conducting normal operations, and that their presence was not necessarily linked to events on Taiwan.

GDP Growth No Sure Thing

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15. (C) It will not be possible for Ma to attain his campaign pledge of 6 percent GDP growth this year, predicted Wang, especially in light of recent sharp commodity price increases. A more realistic goal is 4.5 percent growth, he continued, and even that won't be easy. The LY will cooperate with the new administration to pass a special budget to fund the twelve large public works projects listed in Ma's campaign platform, Wang insisted, but there are lingering doubts about Ma's ability to improve the economy in the context of a global downturn.

KMT: Don't Exclude Us, Or Else

16. (C) Ma's relationship with the LY is somewhat "difficult," said Wang, especially following Ma's proposal to formally separate the party from the new government. Why split the KMT from the government, asked Wang, when the party has done so much for Ma, and still has so much to offer? And why should the KMT leadership and legislative caucus continue to support Ma if his plan is to reduce the party's influence in government? According to Wang, KMT Chairman Wu Po-hsiung met with Ma yesterday to urge Ma to reconsider. Wang indicated that if Ma does eliminate "informal" party-to-government channels, as LY Speaker, Wang would be constitutionally restricted to interacting with the administration through the Premier. In that context, said Wang, he would not offer advice to the administration, but also would refrain from criticizing it publicly.

Power-Sharing OK, Within Limits

17. (C) Premier-designate Liu Chao-hsuan does not understand the economy and does not want responsibility for managing it, opined Wang, and is therefore willing to hand the economic portfolio over to Vice President-elect Vincent Siew (Wan-chang). Ma, Siew and Liu enjoy a long history together, Wang continued, and should be able to find a way to put Siew in charge of the economy, at least informally (see reftel). But there is potential for conflict, cautioned Wang. As Vice

President, Siew can only exert powers that are delegated to him by Ma. Ma's powers are limited by the constitution to command of Taiwan's armed forces and control of its foreign policy. The constitution also clearly identifies the Premier as Taiwan's highest administrative authority, in control of and responsible for the economy. The Premier does not have to defer to the Vice President, argued Wang, but if Vice President Siew and Premier Liu differ on economic policy, a crisis within the administration could arise. In the long term, the Cabinet may begin to resent the interference of the Vice President on economic policy, Wang suggested.

Whither Cross-Strait?

18. (C) Ma may have erred in naming former TSU legislator Lai Hsin-yuan as MAC Chairwoman, said Wang. She is inexperienced, and more importantly, her position on cross-Strait relations is unclear, making it difficult for Beijing (and KMT deep-Blues) to trust her. Ma has promised to resume cross-Strait weekend charter flights by July 4, noted Wang. Wang predicted that Beijing would express its displeasure with Lai's appointment by withholding cooperation on cross-Strait flights, but conceded that only time would tell.

19. (C) PRC President Hu Jintao and KMT Honorary Chairman Lien Chan are "very close," said Wang, and the two men have established mutual trust. In contrast, Beijing continues to view Ma as "unreliable" on cross-Strait relations, a perception only strengthened by his decision to name the deep-Green Lai as MAC chief. Wang speculated that Hu may consider Lien his insurance policy,⁸ i.e., a way to maintain cross-Strait dialogue in the event better relations with Ma fail to materialize. How Beijing treats Taiwan at the Olympics will be another important bellwether for the future of cross-Strait relations, Wang concluded.

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Don't Let Chen Be Indicted

110. (C) Wang urged the Director to persuade Ma to support legislative efforts to resolve the "special accounts" controversy before President Chen leaves office on May 20. It is virtually certain that prosecutors will indict Chen shortly after he leaves office, for alleged misuse of Presidential Office discretionary accounts, said Wang, a result that would be "bad for Ma and for Taiwan." He claimed to have already spoken to President Chen with Ma's Presidential Office Secretary General-designate Chan Chuen-po present. Both men support the idea of legislation to resolve the controversy surrounding the proper use of "special accounts." Wang also claimed to have discussed the idea with Ma three separate times, but Ma thus far has refused to take any action. The Director demurred, insisting that the "special accounts" controversy was a purely internal matter, to be decided by Taiwan's political leaders.

Comment

111. (C) Wang and Ma have a history of prickly relations, which comes across here. But the tensions between Ma and a cocky new KMT majority in the LY and a party bureaucracy slightly giddy over their recent successes were bound to emerge. How all sides handle this friction will go a long way toward revealing how effectively the KMT triumvirate of President, LY and party can manage the challenges of undiluted power.
YOUNG